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SUBJECT: WHO HAS THE EAR OF THE PRESIDENT? PART 2:  
ECONOMIC AND FINANCIAL REFORM

REF: 07 SANAA 2196

Classified By: Ambassador Stephen A. Seche for reasons 1.4(b) and (d)

11. (C) President Ali Abdullah Saleh holds all decision-making authority within his country. Nonetheless, he relies on an established network of advisors who have obtained his trust and respect. This is the second in a series of cables that intends to develop a fuller understanding of who influences Saleh's decision-making and governance. The first in this series (reftel) gave a broad overview of President Saleh's advisors. This cable examines who specifically affects his decisions concerning economic reform. Future cables will examine who influences the President's thinking on issues ranging from foreign policy and counterterrorism to military affairs.

#### SUMMARY

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12. (C) Since 1995, Yemen's economic reform efforts have been characterized by fits and starts, with several months of frenzied reform efforts followed by longer periods of inaction. President Saleh appears to play only a passive role in reform and has ceded key reform decisions to his son Ahmad Ali Abdullah Saleh. His son in turn relies on technocrats like Minister of Planning and International Cooperation and Deputy Prime Minister for Economic Reform Abdul Karim Ismail al-Arhabi, Shura Council Chairman Abd al-Aziz Ghani and Deputy Finance Minister for External Financial Relations Jalal Yaqoub. Even these key players tend to be easily distracted from reform and focus primarily on other issues. This lack of focus within the ROYG often leaves reform efforts on the back burner. End Summary.

#### INTRODUCTION

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13. (C) Shortly after the 1994 Yemeni Civil War, President Saleh decided, based on advice from his cabinet, to overhaul Yemen's financial and economic structure. The consensus within the cabinet was that Yemen risked economic collapse if it did not reform with the international community's assistance. Since that time, Yemen's reform has been characterized by fits and starts, with moments of frenzied reform efforts followed by long periods of inaction. While the pace of these efforts has depended somewhat on international pressure, an equally important factor is Saleh's advisors and their desire and/or willingness to act. The most influential of these advisors is his son Ahmad Ali Abdullah Saleh, though President Saleh also listens to several Cabinet members, Shura Council members, and other close advisors.

#### MAJOR PLAYERS

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14. (C) According to Saif al-Asily, Professor of Economics at Sana'a University and former Minister of Finance (2006-2007), the President has ceded much decision-making authority on reform issues to his son Ahmad. Al-Asily believes the President has grown increasingly passive regarding reform since mid-2006 as his attention has been focused on the Southern, terrorist, and Saada issues. As such, most economic reform proposals go to Ahmad Saleh and then are passed to the President for his rubber stamp. Additionally, al-Asily indicated that Ahmad Saleh relies heavily on technocrats like Minister of Planning and International Cooperation Abdul Karim al-Arhabi and Deputy Minister of Finance for External Financial Relations Jalal Yaqoub, due to his lack of background in finance or economics. Al-Asily believes al-Arhabi and Yaqoub are the two most influential individuals in the reform arena, while Ahmad Saleh is involved in name only, principally to further his political ambitions, believing successful reform efforts will help him gain international and local support.

15. (C) Al-Asily also highlighted Abd al-Aziz Ghani, the Shura Council Chairman, as influential in economic and political-reform issues. Ghani's importance was confirmed by Tarek al-Sharafi, the Director General for External Financial Relations in the Ministry of Finance. Al-Sharafi added that Alawi as-Salami, a Shura Council member and former Deputy Prime Minister and Minister of Finance, was a close confidant of Ghani and therefore also had influence on economic-reform issues.

16. (C) Jalal Yaqoub credited Ahmad Sofan, the former Minister of Planning and International Cooperation, with convincing President Saleh and Ahmad Saleh to reinvigorate reform efforts in 2005. According to Yaqoub, however, Sofan's

influence waned considerably after he left his position following the February 2006 Cabinet reshuffle. Since then, new Minister of Planning and International Cooperation al-Arhabi's influence has grown. According to Yaqoub, however, al-Arhabi's influence derives from his friendship with Presidential Secretary Faris Sanabani rather than from

his official position. Yaqoub indicated that al-Arhabi is in the "second-tier" of Presidential advisors, but has effectively used Sanabani's proximity to the President's son to push his reform agenda. Yaqoub went on to note that Sanabani, for his part, convinced President Saleh and Ahmad Saleh to bless al-Arhabi's reform efforts by emphasizing international donor demand for reform and the possibility that international donations may decrease without it.

#### PRESIDENTIAL COMMITTEES FOR REFORM

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17. (C) Separately, in February 2007 President Saleh created a Presidential Advisory Committee for Reform which included Director of the Presidential Office and Director of the National Security Bureau Doctor Ali al-Anisi, Deputy Director of the Presidential Office Abdu Ali Abd al-Rahman Bourji, Presidential Secretary Faris Sanabani, Presidential nephew Yahya Abdallah Saleh, al-Arhabi, and Yaqoub. According to both Yaqoub and al-Asily, however, the committee is largely ineffective. Additionally, the President created an Investment Committee, led by his son Ahmad Saleh. This committee includes Minister al-Arhabi, Minister of Industry and Trade Yahya al-Mutawakel, Minister of Justice Ghazi Shaif al-Aghbari, and General Investment Authority Chairman Salah al-Attar. Al-Asily, however, believes this committee is nothing more than an attempt by Ahmad Saleh to associate his name with reform.

#### PARLIAMENT

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18. (C) According to Yaqoub, the Yemeni Parliamentarians

Against Corruption (YEMPAC) plays a role in pushing reform in Yemen. YEMPAC and other parliamentary leaders, except for members of Saleh's "inner circle," however, are ineffective in their extra-legislative efforts. As a result, most parliamentary reform efforts are limited to law-making. For example, YEMPAC leaders Sakr Wajih, Mohammed al-Aslami, and Ali al-Shal are all powerful in the Parliament, but their influence does not extend to the President and they rarely influence executive decision-making. As noted separately by Tareq al-Sharafi, however, legislative influence can sometimes extend to presidential influence. For example, in 2005 Parliament passed a law requiring the President to obtain parliamentary approval before lifting any price subsidy as part of a reform package. While this influence is minimal, it does demonstrate that Parliament can, at least tangentially, affect presidential options and therefore decision-making.

#### THE PUSH FOR REFORM

19. (C) Throughout POLOFF's meetings with Yemeni interlocutors, all contacts agreed that the President is passive in reform efforts and has delegated much responsibility to his son Ahmad Saleh and Minister al-Arhabi.

These contacts believe the President is not as concerned about reform efforts as he is with Southern unrest, Saada, and terrorism. Another common theme throughout the discussions was that there is currently no strong voice for reform inside the ROYG, including Ahmad Saleh and al-Arhabi. These individuals and those who support them make nominal efforts at reform in order to placate the international donor community. None, however, were viewed as dedicated to economic reform and all were considered more focused on other issues such as terrorism and tribal conflicts, pushing reform efforts to the back burner.

#### COMMENT

10. (C) While it is true that issues such as southern unrest, terrorism, and Saada tend to push economic reform to the back-burner, we strongly disagree with the perception that MOPIC Minister al-Arhabi is not dedicated to economic reform efforts. Any failure by al-Arhabi to deliver on reform is due to lack of support, not to the lack of commitment on his part. Within the Yemeni government, al-Arhabi has the greatest influence on economic reform issues. Transferring his dedication and influence to true reform, however, has been challenging given the general passivity of the ROYG regarding economic reform.

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